GREYHOUND COMPUTER OF CANADA LTD.

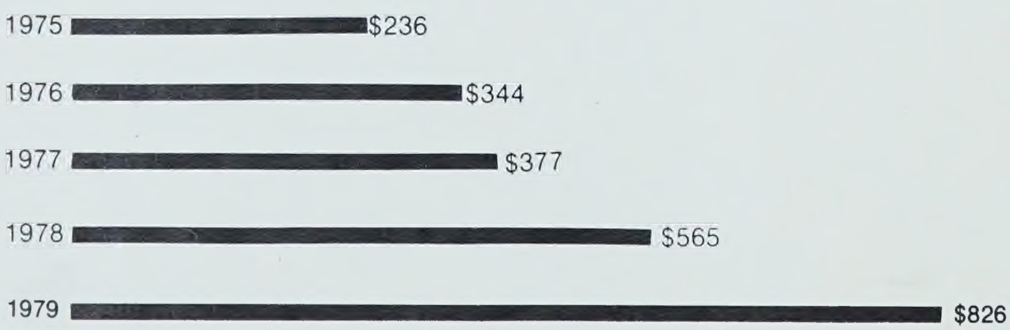
1979 ANNUAL REPORT

Financial Highlights

	For the year ended				
	Dec. 31, 1979	Dec. 31, 1978	Dec. 31, 1977	Dec. 31, 1976	Dec. 31, 1975
Revenue	$ 6,712,327	$ 7,137,829	$ 5,487,844	$ 4,827,087	$ 4,736,596
Income before Provision for Income Taxes	$ 1,542,108	$ 1,024,778	$ 757,791	$ 696,400	$ 474,894
Net Income	$ 826,421	$ 565,389	$ 376,791	$ 344,400	$ 235,894
Shareholders' Equity	$10,009,735	$ 9,497,234	$ 9,123,295	$ 8,746,504	$ 8,402,104
Earnings per Share	21¢	14¢	9¢	9¢	6¢
Computer Equipment Owned (at cost)	$27,042,620	$38,151,934	$30,048,431	$25,556,950	$25,356,806

Revenues (thousands)

Net Income (thousands)



1979 Report to the Shareholders

In terms of net income, the fiscal year ended December 31, 1979 was clearly an outstanding one for Greyhound Computer of Canada Ltd. For the fourth consecutive year, we are reporting a gain in earnings. Net income for 1979 was $826,000, up 46 percent from $565,000 in 1978. Total revenues were $6,712,000, down slightly from $7,138,000 in 1978. Sales during the year of computers purchased for resale contributed significantly to net income, and sales of rental equipment substantially reduced the portfolio of computer equipment at year end.

Your Company's net income amounted to twenty-one cents per common share compared to fourteen cents a year earlier. On January 2, 1980, a dividend of eight cents per share was paid to all shareholders of record as of December 10, 1979. This was an increase from the five cents paid last year.

Financial highlights for comparison purposes covering the past five years are shown on the opposite page.

The Company's long-term debt was reduced by almost $9,000,000 during the year. We enter 1980, with its record high interest rates, almost free of bank debt which will reduce our interest costs. As opportunities are developed, selected purchases of additional equipment will be made in 1980 to expand the computer portfolio. Greyhound Computer's primary business continues to be the purchase, lease and sale of computer equipment which provides users with the opportunity to realize substantial savings in their data processing operations.

With our financial strength, depth of support services and skilled personnel, Greyhound Computer is prepared to meet the needs of our customers and the challenges to be encountered in the 1980 marketplace.

The loyalty, commitment and plain hard work of all employees during 1979 is highly appreciated.

On behalf of the Board,

W. D. Maunder
President and Chief Executive Officer

Greyhound Computer of Canada Ltd.

(Incorporated under the Canada Corporations Act)

Statement of Consolidated Financial Condition

Assets	December 31 1979	1978
CASH	$ 90,953	$ 49,529
SHORT-TERM CERTIFICATES OF DEPOSIT	1,349,080	—
RECEIVABLES		
Accounts receivable	429,643	236,493
Less allowance for doubtful accounts	24,419	79,955
	405,224	156,538
Due from Greyhound Computer Corporation	1,808	10,319
Recoverable income taxes	12,343	375,758
	419,375	542,615
COMPUTER EQUIPMENT PURCHASED FOR RESALE	7,043	195,823
NET INVESTMENT IN DIRECT FINANCING LEASES (Note A):		
Equipment lease receivables	2,259,127	2,307,349
Estimated residual value of equipment	525,910	565,485
Less unearned income	(500,823)	(474,753)
	2,284,214	2,398,081
COMPUTER RENTAL EQUIPMENT (Notes A and B):		
Cost	27,042,620	38,151,934
Less accumulated depreciation	16,583,845	19,143,096
	10,458,775	19,008,838
OTHER ASSETS	64,106	69,111
	$14,673,546	**$22,263,997**

On behalf of the Board

G. B. Clarke

G. B. Clarke
Director

W. D. Maunder
Director

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	December 31 1979	1978
SHORT-TERM LIABILITIES:		
Accounts payable	$ 175,521	$ 181,001
Income taxes	1,057,371	—
Other accrued expenses	120,508	149,230
Rentals received in advance	92,578	63,819
Dividend payable	323,120	200,950
Current portion of long-term debt	60,008	—
	1,829,106	595,000
LONG-TERM DEBT (Note C)	240,031	9,220,000
DEFERRED ITEMS (Note A):		
Income taxes	2,502,405	2,808,181
Investment tax credit	92,269	143,582
	4,663,811	12,766,763
SHAREHOLDERS' EQUITY (Note D):		
Capital stock, without par value		
Authorized — 6,000,000 shares		
Issued and fully paid		
— 4,039,000 shares	5,032,950	5,023,750
Retained income	4,976,785	4,473,484
	10,009,735	9,497,234
	$14,673,546	**$22,263,997**

Auditors' Report

The Shareholders,
Greyhound Computer of Canada Ltd.

We have examined the statement of consolidated financial condition of Greyhound Computer of Canada Ltd. as at December 31, 1979 and the statements of consolidated income and retained income and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Chartered Accountants
Toronto, Ontario
February 1, 1980

See accompanying notes to consolidated financial statements.

Statement of Consolidated Income and Retained Income

	Year Ended December 31	
	1979	**1978**
COMPUTER LEASING AND OTHER REVENUES (Note A)	$6,712,327	$7,137,829
EXPENSES:		
Depreciation of computer equipment (Note B)	3,823,627	4,741,119
Other direct leasing costs	416, 120	423,920
Interest on long-term debt	414,239	469,482
Selling, administrative and other operating expenses	516,233	478,530
	5,170,219	6,113,051
INCOME BEFORE INCOME TAXES	1,542,108	1,024,778
INCOME TAXES (Note A):		
Currently payable (recoverable)	1,279,403	(60,573)
Deferred	(512,403)	582,573
Investment tax credit amortization	(51,313)	(62,611)
	715,687	459,389
NET INCOME	826,421	565,389
RETAINED INCOME, JANUARY 1	4,473,484	4,109,045
	5,299,905	4,674,434
DIVIDEND DECLARED ($.08-1979; $.05-1978 per share)	323,120	200,950
RETAINED INCOME, DECEMBER 31	$4,976,785	$4,473,484

NET INCOME PER SHARE:		
Based on average outstanding capital stock	$.21	$.14

See accompanying notes to consolidated financial statements.

Statement of Changes in Consolidated Financial Position

	Year Ended December 31 1979	1978
SOURCE OF FUNDS:		
From operations:		
Net income	$ 826,421	$ 565,389
Depreciation	3,821,012	4,750,383
Deferred income taxes	(512,403)	582,573
Investment tax credit utilized	139,909	(48,016)
Total from operations	4,274,939	5,580,329
Collections on direct financing leases less amortization of unearned income	463,044	393,161
Disposals of computer equipment	7,614,492	2,552,207
Decrease in receivable from parent	8,511	—
Decrease in accounts receivable and other assets	110,385	60,545
Decrease in computer equipment purchased for resale	188,780	—
Increase in short-term liabilities	1,234,108	—
Increase in long-term debt	—	5,660,000
Other, net	24,609	44,840
	13,918,868	14,561,082
USE OF FUNDS:		
Short-term certificates of deposit	1,349,080	—
Acquisitions of equipment for:		
Operating leases	2,884,549	12,950,931
Direct financing leases	340,726	145,798
Increase in receivable from parent	—	6,717,
Increase in computer equipment purchased for resale	—	146,035
Decrease in short-term liabilities	—	1,076,799
Decrease in long-term debt	8,979,969	—
Dividend	323,120	200,950
	13,877,444	14,527,230
INCREASE IN CASH	$ 41,424	$ 33,852

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 1979

A. Significant Accounting and Financial Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of Greyhound Computer of Canada Ltd. and its wholly-owned subsidiary, Canadian Computer Resources Limited (the Company). All material intercompany transactions and accounts were eliminated in consolidation. Greyhound Computer Corporation owns 82.1% of the Company's capital stock.

Computer Equipment

Computer equipment is stated at cost. IBM System/370 and compatible equipment is depreciated on a 150% declining-balance method based on useful lives of 5 to 7 1/2 years. For certain System/370 equipment having initial lease terms of 4 years or more, depreciation amounts for the initial lease period are calculated on the declining-balance method and charged to income on the straight-line method over such periods. Substantially all IBM System/360 equipment was depreciated on the straight-line method over ten years or to December 31, 1979, whichever was shorter, to a 10% residual value. Other IBM System/360 compatible computer equipment was depreciated to a 10% residual value to December 31, 1979.

Other computer equipment is depreciated at 30% per annum on the declining-balance method.

Computer equipment sold or otherwise disposed of is removed from the equipment accounts. Any resulting gain or loss is credited or charged to accumulated depreciation and amortized to income over the remaining depreciable life of comparable equipment.

Accounting for Revenues and Leasing Costs

Substantially all computer leases are operating leases whereby rentals are recognized when earned. Gains on equipment sales transactions, which involve the purchase and resale of equipment, are included in revenues at the time of acceptance by the customer.

For direct financing leases, the equipment lease receivables, unearned income, and residual value of the equipment are recorded when lease contracts become effective. The unearned income (representing the difference between the aggregate lease rentals and the cost of related equipment, commissions and other direct expenses, less estimated residual value of the equipment at the end of lease term) is recorded as income over the term of the related lease.

Substantially all selling and administrative expenses and direct cost associated with leasing equipment, including maintenance, refurbishing and relocation expenses, are charged to income as incurred, except sales commissions which are deferred and amortized over the average term of the related leases.

Income Taxes

Deferred taxes are provided on timing differences between tax and financial reporting and primarily consist of depreciation and income on direct financing leases.

Investment tax credits on equipment subject to direct financing leases are deferred and amortized by credits to income, in proportion to unearned income amortization, over the term of the related lease.

Foreign currency translation

Assets bought and sold during the year and transactions relating to net income in foreign currencies are translated into Canadian dollars at the rates prevailing on the date of the transaction. Assets and liabilities in foreign currencies at the close of the year are translated into Canadian dollars at the rate prevailing at December 31. Differences on translation are charged or credited to income over the average term of the related lease.

B. Computer Rental Equipment:

The Company's business principally involves leasing and other marketing of data processing computer systems, primarily IBM and compatible equipment. Most leases are operating leases which are for initial terms of one to three years and are subject to termination on 90 — 180 days of notice, in some cases upon payment of cancellation penalties. The computer rentals over the remaining non-cancellable terms of outstanding leases at December 31, 1979 plus cancellation penalties are approximately $6,454,000 ($10,560,000 — December 31, 1978) and include approximately $908,000 ($1,769,000 — December 31, 1978) attributable to equipment other than IBM System/370 and compatible equipment. These non-cancellable amounts are due as follows: $3,651,000 (1980); $2,298,000 (1981); $208,000 (1982); $140,000 (1983); $135,000 (1984) and $22,000 (1985).

Accordingly, the recovery of the Company's carrying amount, $10,459,000, of computer equipment at December 31, 1979, is dependant upon renewal of existing leases or sale or lease of related equipment at satisfactory prices. Expenses incurred in marketing equipment and loss of revenues during periods between customers are substantial.

The following table summarizes the Company's investment in computer equipment at December 31, 1979 and 1978:

	December 31,			
	1979		1978	
Type of equipment	Cost	Carrying amount	Cost	Carrying amount
	(000's Omitted)			
IBM System/370 and compatible	$11,281	$ 8,467	$18,427	$14,936
IBM System/360 and compatible	15,081	1,771	19,022	3,748
Other	681	221	703	325
	$27,043	$10,459	$38,152	$19,009

During 1979 IBM announced reductions in sales prices of certain System/370 models. IBM also announced two new computer models in early 1979, the 4331 and 4341, having substantially increased performance capabilities but greatly reduced prices compared to predecessor models, especially for additional memory capacity, with deliveries commencing late in 1979. These actions are resulting in significantly lower prices on sale and lease of certain System/370 and compatible equipment and further price reductions in the Company's System/360 and compatible equipment.

Continuing achievements in computer technology, pricing and delivery of advanced computer equipment by manufacturers, and changes in rental rates and sales prices by other lessors and dealers could significantly influence estimates of useful lives and future rental or sales values of the Company's equipment. Management continues to believe that the Company will be successful in recovering the carrying amount of computer equipment.

C. Long-Term Debt:

At December 31, 1979, the Company has available under a revolving credit agreement a line of credit aggregating $2,000,000, at bank prime rate, reduced from $10,000,000 at December 31, 1978. The terms of the agreement provide that the Company, upon request, is required to grant the banks a security interest in substantially all equipment and related leases and may not otherwise encumber such assets (other than by purchase money mortgages) or leases in Canada. At December 31, 1979, there was no borrowing against this line of credit.

In 1979 the Company received a bank loan, repayable in 60 monthly instalments, to finance a computer system leased by that bank.

D. Stock Option Plan

The company has granted options to officers and key employees, under the Company's Incentive Stock Option Plan, to purchase capital stock of the Company at the market price on the dates of granting the options. Such options expire five years from the date of grant. In early 1980 the Plan was amended so that the balance of the options, which were formerly exercisable in four equal annual installments commencing one year after the date granted, become exercisable after two years from the date granted.

During the year ended December 31, 1979, 20,000 shares were issued for $9,200 under options previously granted. As at December 31, 1979, options granted on March 22, 1978 at 42 cents per share were outstanding on 100,000 shares of capital stock.

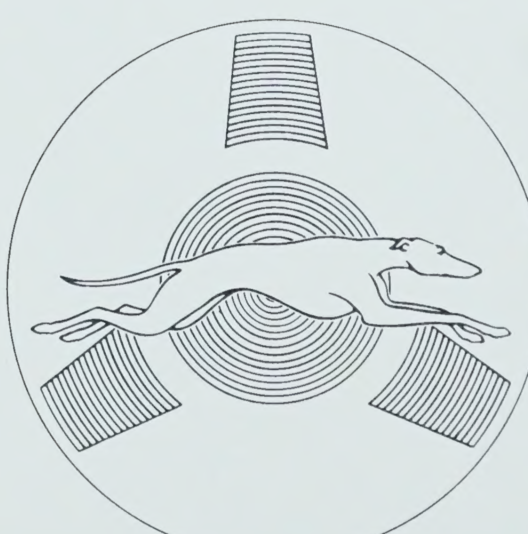
E. Directors and Officers

The Company has eight directors and nine officers, of whom three are directors. The directors received no remuneration as directors and the aggregate remuneration of officers for the year ended December 31, 1979 was $172,510 ($156,821 — 1978).

The total remuneration of directors and senior officers, as defined by The Securities Act — Ontario, for the year ended December 31, 1979 was $223,312 ($189,276 — 1978).

Directors and Officers

Directors	Ralph C. Batastini, Phoenix Robert L. Borden, Calgary W. Carroll Bumpers, Phoenix Gordon B. Clarke, Phoenix W. Donald Maunder, Toronto Walter S. Owen, Vancouver Olie E. Swanky, Phoenix Hugh P. Thomas, Toronto
Officers	Olie E. Swanky, Chairman of the Board Gordon B. Clarke, Vice Chairman of the Board W. Donald Maunder, President and Chief Executive Officer Ronald J. Camsell, Vice President Leonard J. Micallef, Controller and Assistant Secretary Frederick G. Emerson, Secretary Robert C. Kibler, Treasurer Levon Kasarjian, Jr., Assistant Secretary
Auditors	Touche Ross & Co., Chartered Accountants
Registrar and Transfer Agent	The Royal Trust Company
Stock Listing	The Toronto Stock Exchange
Bankers	Bank of Montreal Canadian Imperial Bank of Commerce The Mercantile Bank of Canada The Royal Bank of Canada
Head Office	Guardian of Canada Tower 181 University Avenue, Suite 1416 Toronto, Ontario M5H 3M7
Annual Meeting	The annual meeting of shareholders will be held at 10 a.m. on Tuesday, May 6, 1980 at the offices of the Board of Trade of Metropolitan Toronto, 3rd Floor, First Canadian Place, Toronto, Ontario.



Head Office:
Guardian of Canada Tower
181 University Avenue, Suite 1416
Toronto, Ontario
M5H 3M7

Greyhound Computer of Canada Ltd.

Mid Year Report June 30 1979

GREYHOUND COMPUTER OF CANADA LTD.

August 24, 1979

Dear Shareholder,

For the second quarter ended June 30, 1979, net income was $187,386, an improvement of 20 per cent over the $155,855 reported for the corresponding period last year. Revenue for the quarter was $1,774,393, up 8 per cent from $1,638,270 last year.

For the six months, net income was $532,348, an increase of 66 per cent over the $320,957 reported for the first six months of 1978. Revenue for the period was $4,153,673 compared to $3,296,900 last year, an improvement of 26 per cent.

The favourable results for the six months reflect the substantial investment in IBM 370 Systems made during 1978 and the brokerage of computer equipment. Over eight million dollars of long term debt was eliminated using the proceeds from the sale of two large systems and regular cash flow. These major sales will reduce our interest and depreciation charges as well as our revenue for the second half of 1979.

On behalf of the Board,

W.D. Maunder
President and Chief Executive Officer

Comparative Consolidated Statement of Earnings (unaudited)

Six Months Ended June 30	1979	1978
Revenue	$4,153,673	$3,296,900
Depreciation	2,280,206	2,123,947
Interest	391,755	135,907
Other Expenses	481,433	451,808
Total Expenses	3,153,394	2,711,662
Income before Income Taxes	1,000,279	585,238
Provision for Income Taxes		
Current	970,000	277,000
Deferred	(475,000)	20,000
	495,000	297,000
Investment Tax Credit Amortization	(27,069)	(32,719)
Net Income Taxes	467,931	264,281
Net Income	$532,348	$320,957
Earnings per Share	13.2¢	8.0¢
Average Shares Outstanding	4,025,091	4,004,000

Second Quarter	1979	1978
Revenue	$1,774,393	$1,638,270
Depreciation	1,042,347	1,091,665
Interest	158,336	63,116
Other Expenses	224,505	199,641
Total Expenses	1,425,188	1,354,422
Income before Income Taxes	349,205	283,848
Provision for Income Taxes		
Current	650,000	(28,000)
Deferred	(475,000)	172,000
	175,000	144,000
Investment Tax Credit Amortization	(13,181)	(16,007)
Net Income Taxes	161,819	127,993
Net Income	$187,386	$155,855
Earnings per Share	4.6¢	3.9¢
Average Shares Outstanding	4,031,115	4,004,000

GREYHOUND COMPUTER OF CANADA LTD.
Consolidated Statement of Changes in Financial Position (unaudited)

Six Months Ended June 30, 1979

Source of Funds:

	1979	1978
From Operations:		
Net Income	$ 532,348	$ 320,957
Depreciation	2,280,206	2,123,947
Deferred Income Taxes	(475,000)	20,000
Investment Tax Credit Utilized	64,481	43,928
Collections on Direct Finance Leases less Amortization of Unearned Income	178,713	225,440
Total from Operations	2,580,748	2,734,272
Disposals of Computer Equipment	4,865,391	755,782
Decrease in Receivable from Parent	10,319	—
Decrease in Accounts Receivable and Other Assets	369,357	309,074
Decrease in Computer Equipment Purchased for Resale	183,259	—
Increase in Short-term Liabilities	1,049,015	—
Increase in Long-term Debt	—	2,700,000
	9,058,089	6,499,128

Use of Funds:

	1979	1978
Purchase of Equipment for: Operating Leases	656,427	5,098,576
Repayment of Long-term Debt	8,335,751	—
Increase in Receivable from Parent	—	16,425
Decrease in Short-term Liabilities	—	1,264,275
Other, net	83,402	33,467
	9,075,580	6,412,743
Increase (Decrease) in Cash	$ (17,491)	$ 86,385